



U.S. House of Representatives  
WASHINGTON, DC 20515

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*Paul Ryan*  
PRSRT STD M.C.

## ANNUAL REPORT TO TAXPAYERS



### U.S. House of Representatives Congressman Paul Ryan

Dear fellow taxpayer:

As taxpayers, we are shareholders in the federal government. Therefore, we are entitled to know how much money the government collects from us and how our money is spent. That is why I am sending you this 2004 Annual Report, which summarizes the U.S. government's finances.

It is important to consider a number of points as you analyze this year's report.

- The tax cuts passed in recent years have increased economic activity. Tax relief targeted at businesses promoted investing in new equipment and the hiring of more employees. As a result, corporate tax collections rose by 43 percent in 2004. These growing tax revenues allowed debt projections to be reduced by \$65 billion.
- For individuals, extending the child tax credit, maintaining the marriage penalty tax relief, and extending the tax rate reductions for all taxpayers contributed to increased consumer spending, which grew at a 5.1 percent annual rate last quarter, the fastest rate in three years.
- Job growth and small business expansion are helping the economy, but more must be done to deal with the loss of manufacturing jobs due to unfair trade practices by countries like China and escalating health care costs. Despite these challenges that must be addressed, 2.4 million jobs were created over the past 15 months and the unemployment rate stands at 4.8 percent in Wisconsin – which is below the national average of 5.8 percent in the 1990's.
- Although the economy is growing, the federal government is spending more than it collects in tax revenues resulting in unacceptable budget deficits. That's why I've introduced budget process reform legislation.
- The federal government's primary funding priority is – and will continue to be for some time – supporting our troops in the war on terrorism. The costs associated with winning this war, including military pay, supplies, equipment and weapons, are significant but key to our long-term success.

I hope you find this Annual Report helpful. As always, please feel free to contact me if I can be of assistance to you in dealing with the federal government. I am always happy to respond and be of service to you.

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Sincerely,

*Paul Ryan*

Paul Ryan  
Serving Wisconsin's 1st District

# 2004 ANNUAL REPORT



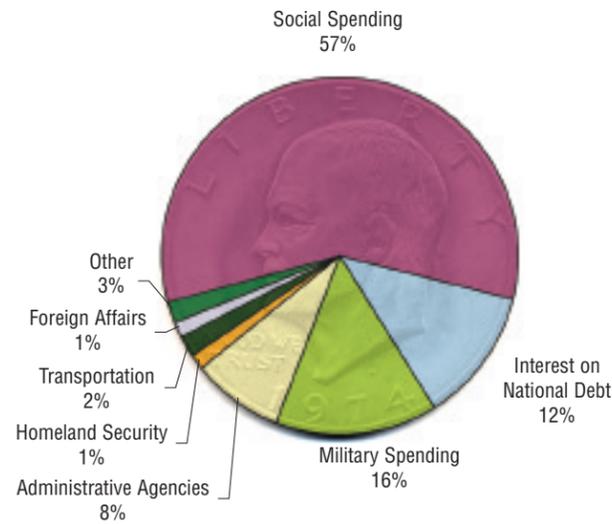
*on the*  
**UNITED STATES  
GOVERNMENT**



**CONGRESSMAN PAUL RYAN  
SERVING WISCONSIN'S 1ST DISTRICT**

# Composition of Federal Spending—2004

Source: U.S. Department of Treasury

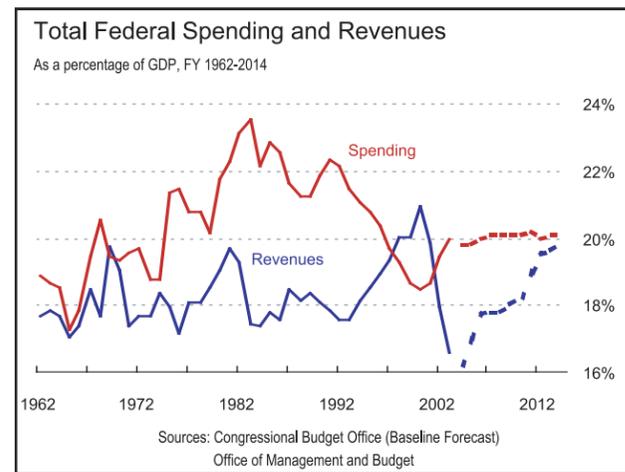


## Current Deficit Spending and Future Revenues

The federal government recorded a total budget deficit of \$413 billion for fiscal year 2004 (FY 2004), \$35 billion more than the deficit recorded in FY2003. The annual budget deficit is projected to be 3.6% of gross domestic product (GDP) this year and then decline to 2.8% of GDP next year. These deficits are not small, but they fall short of the high federal spending records set in the late 1980s and early 1990s for deficits as part of gross domestic product.

The FY2004 deficit is \$65 billion less than the Congressional Budget Office had originally estimated. The reason this deficit was lower than expected is due to higher-than-anticipated collection of tax revenues. Furthermore, stronger growth in national income due to sound economic policies expands the tax base, which increases the amount of federal revenues flowing into the Treasury. This growth in revenue contributes to lower federal deficits.

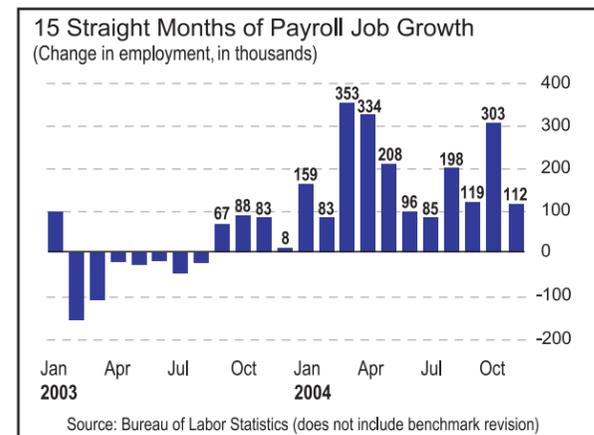
As the graph indicates, revenues will increase due to the tax cuts and economic stimulus legislation that was enacted. Furthermore, some of the obstacles that are causing increases in spending, such as the military action in Iraq and Medicare costs, will continue to be addressed in the next decade. That means that the lines are expected to cross in about ten years, and the federal government will again have a surplus.



## Economic Recovery and Growth in Employment

The nation has been struggling to recover from an economic downturn that began in 2001 and was made worse by the September 11 attacks and multiple corporate accounting scandals that were uncovered. Between January 2001 and January 2004, our economy lost nearly 3 million jobs and the unemployment rate peaked at 6.3%. Wisconsin's manufacturing industry was hit especially hard, with the sector losing 83,000 jobs in the state during that time period. This was particularly troubling for Wisconsin as our state has the second highest number of manufacturing jobs per capita in the nation, and our economy heavily relies on the manufacturing industry. As a result, the unemployment rate in many areas of the First District was much higher than the national average.

Over the past year, our economy has sustained the solid growth that began during the latter months of 2003. Over 2.4 million new jobs have been created since August 2003, the majority of them in 2004, and the unemployment rate is down to 5.5% for the United States and 4.8% in Wisconsin. GDP growth is being sustained at nearly 4%, and the stock market has largely stabilized at a level that is 25% above its value in the spring of 2003. Even Wisconsin's manufacturing sector has begun improving, with over 17,000 new jobs created since January.



# Statement of Federal Revenues and Expenses

## Revenues

	Fiscal Year <sup>1</sup>			
	2003	2004	% of total	% change
Individual income taxes . . . . .	\$793,699,000,000	\$808,958,000,000	34.4%	1.9%
Social insurance taxes <sup>2</sup> . . . . .	712,978,000,000	733,408,000,000	31.2%	2.9%
User fees, earmarked taxes and receipts . . . . .	450,048,000,000	470,490,000,000	20.0%	4.5%
Corporation taxes . . . . .	131,778,000,000	189,370,000,000	8.1%	43.7%
Excise taxes and customs duties . . . . .	87,384,000,000	90,934,000,000	4.0%	4.1%
Miscellaneous receipts . . . . .	34,309,000,000	32,299,000,000	1.3%	-5.9%
Death taxes <sup>3</sup> . . . . .	21,959,000,000	24,831,000,000	1.0%	13.1%
<b>Total Revenues</b>	<b>\$2,232,155,000,000</b>	<b>\$2,350,290,000,000</b>		<b>5.3%</b>

## Expenses

Social spending <sup>4</sup> . . . . .	\$1,504,889,000,000	\$1,577,683,000,000	57%	4.8%
Interest on national debt . . . . .	318,149,000,000	321,566,000,000	12%	1.1%
Military spending . . . . .	390,110,000,000	438,111,000,000	16%	12.3%
Administrative agencies <sup>5</sup> . . . . .	209,081,000,000	233,405,000,000	8%	11.6%
Homeland Security <sup>6</sup> . . . . .	35,108,000,000	29,897,000,000	1%	-14.8%
Transportation . . . . .	51,226,000,000	55,400,000,000	2%	8.1%
State and foreign affairs <sup>7</sup> . . . . .	35,729,000,000	38,414,000,000	1%	7.5%
Environment, fish, wildlife, parks and interior <sup>8</sup> . . . . .	38,594,000,000	39,351,000,000	1%	2.0%
NASA . . . . .	14,552,000,000	15,186,000,000	1%	4.4%
Judiciary . . . . .	5,186,000,000	5,473,000,000	*	5.5%
Congress . . . . .	3,276,000,000	3,728,000,000	*	13.8%
The President <sup>9</sup> . . . . .	1,540,000,000	4,629,000,000	*	200.6%
<b>Total Expenses</b>	<b>\$2,607,440,000,000</b>	<b>\$2,762,843,000,000</b>		<b>6.0%</b>
<b>Surplus (DEFICIT)<sup>10</sup></b>	<b>(\$375,285,000,000)</b>	<b>(\$412,553,000,000)</b>		<b>9.9%</b>

Source: Congressional Budget Office

\* indicates less than 1%

## Notes

- The U.S. Government fiscal year begins on October 1 and ends on September 30.
- Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
- Repealed effective January 1, 2010 (Public Law 107-16).
- Includes arts, education, labor, benefits (such as public housing, child nutrition, food stamps and other agricultural programs) for people and families with incomes below certain levels, federal retirement programs (including Social Security and Medicare), health care services for low-income seniors and families, unemployment benefits, veterans' pensions, and drug control programs.
- Includes Small Business Administration, the Departments of Energy, Commerce and Justice, as well as EEOC, FCC, FDIC, FEMA and independent agencies.
- The reduction in Homeland Security funding reflects in part one-time, start-up costs associated with the creation of this new department in FY2003. These start-up costs were not carried over to FY2004.
- Includes Department of State, Peace Corps, Overseas Private Investment Corporation, U.S. Agency for International Development, foreign military sales, and other international assistance programs.
- Includes EPA, National Park Service, Fish and Wildlife Service, Bureau of Land Management, Forest Service, National Oceanic and Atmospheric Administration, Army Corps of Engineers, and major environmental programs of federal agencies.
- Outlays for the Executive Office of the President (EOP) have been increased and outlays for the International Assistance Program have been correspondingly decreased. The increase in EOP outlays reflects costs associated with Iraqi relief and construction efforts.
- Represents unified budget surplus/deficit.

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